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Oil Slips to Near $84 per Barrel

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Tomahawk, WI 10/13/2011 (PennyPayDay) – Oil prices fell to near $84 a barrel Thursday due to retreating equity markets, slower export growth in China and lowered forecasts for global demand for crude.

By early afternoon in Europe, benchmark crude for November delivery was down $1.23 to $84.34 a barrel in electronic trading on the New York Mercantile Exchange. The contract fell 24 cents to settle at $85.57 in New York on Wednesday.

In London, Brent crude was down $1.04 to $110.32 a barrel on the ICE Futures exchange.

The pace of growth of China's exports, while still impressive, fell sharply in September, a setback for hopes Chinese demand will help prop up the struggling global economy. Import growth also fell as China's domestic demand has weakened following repeated interest rate hikes and investment curbs.

"Crude oil imports in China have been very steady rather than surging this year," said analyst Olivier Jakob of Petromatrix in Switzerland. "It is very hard to blame the Chinese this year for the gasoline prices paid at the pump in New York."

In September, Chinese crude oil imports were 200,000 barrels a day higher than during the same month last year, but were 100,000 barrels a day lower in the third quarter of 2011 than in the third quarter of 2010, Jakob noted.

The narrowing Chinese trade surplus also depressed European stock exchanges, often considered by commodities traders as a barometer of market sentiment. Germany's DAX index was down 1.2 percent on Thursday, while the FTSE 100 in London lost 0.8 percent.

On Wednesday, the International Energy Agency followed OPEC in trimming its forecasts for crude oil demand this year and 2012. The Paris-based IEA still expects world demand to hit a record this year, but more slowly than previously expected. The IEA's outlook followed a similar one from the Organization of Petroleum Exporting Countries on Tuesday.

In the U.S., MasterCard SpendingPulse reported Wednesday that drivers bought less gas for the 29th week in a row. Gas consumption last week was down about 2 percent from the same period last year, according to SpendingPulse.

The fall in the oil price was limited by a report that showed U.S. crude supplies dropped more than expected last week, suggesting demand may be improving.

The American Petroleum Institute said late Wednesday that crude inventories fell 3.8 million barrels last week while analysts surveyed by Platts, the energy information arm of McGraw-Hill Cos., had predicted a drop of 300,000 barrels.

Inventories of gasoline dropped 1.2 million barrels last week while distillates slid 3.1 million barrels, the API said.

The Energy Department's Energy Information Administration reports its weekly supply data later Thursday.

"The API came out with a fairly bullish report," energy trader and consultant The Schork Group said in a report. "Crude between $85 and $95 is reasonable in the coming months."

Gains by the dollar against the euro also weighed on oil prices by making crude more expensive for non-dollar investors. The euro slipped to $1.3727 on Thursday from $1.3793 late Wednesday in New York.

In other Nymex trading, heating oil lost 0.41 cent to $2.9306 per gallon and gasoline futures fell 2.24 cents to $2.7263 per gallon. Natural gas slipped 1 cent to $3.479 per 1,000 cubic feet.